

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

XMB-02 OPIC-03 /107 W

----- 076818

R 191340Z NOV 75

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 6197

INFO USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

USMISSION GENEVA

USDEL MTN GENEVA

AMEMBASSY HELSINKI

AMEMBASSY OSLO

USMISSION OECD PARIS

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ETRD, GATT, EC, SW

SUBJECT: SWEDISH PRESS REPORTS FURTHER EC RETALIATION
AGAINST SWEDISH SHOE IMPORT RESTRICTIONS

REF: STOCKHOLM 5514 (NOTAL); STOCKHOLM 5678 (NOTAL)

1. SWEDISH MFA HAS CONFIRMED STOCKHOLM PRESS REPORTS THAT EC COMMISSION RECOMMENDED TO COUNCIL NOVEMBER 18 WITHHOLDING NORMAL 5-PERCENT ANNUAL INCREASE IN LOW-TARIFF QUOTAS, EXPECTED IN 1976 UNDER TERMS OF INDUSTRIAL FREE-TRADE AGREEMENT, ON ALL 14 CATEGORIES OF PAPER FROM SWEDEN. AGREEMENT GIVES EC AUTHORITY FOR SUCH ACTION IN EVENT OF "SHORT-TERM ECONOMIC LIMITED OFFICIAL USE

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DIFFICULTIES". PRESS QUOTED SWEDISH EC AMBASSADOR ERIK VON

SYDOW AS CHARACTERIZING COMMISSION'S ACTION AS "OBVIOUS RETALIATION" FOR IMPORT RESTRICTIONS RECENTLY IMPOSED BY SWEDEN ON SHOES, ALLEGEDLY TO PRESERVE DOMESTIC SHOE-MANUFACTURING CAPABILITY IN TIME OF NATIONAL EMERGENCY. ANDERS OLJELUND, MFA OFFICER IN CHARGE OF EC MATTERS, SAID GOS EXPECTS COUNCIL TO APPROVE RECOMMENDATIONS WITHIN A WEEK OR TWO AND TO SEND OFFICIAL NOTIFICATION THEN.

2. OLJELUND SAID SWEDISH PAPER EXPORTS IN EXCESS OF QUOTAS WOULD CONTINUE TO ENTER EC AT LOW TARIFF UNLESS EC TOOK ADDITIONAL SEPARATE ACTION OF APPLYING THIRD-COUNTRY TARIFFS TO AMOUNTS EXCEEDING QUOTAS. GOS HOPES THAT EC WILL NOT TAKE THIS ACTION AS QUOTAS BECOME EXHAUSTED. IF IT REFRAINED, SOLE IMPACT OF WITHHOLDING 1976 QUOTA INCREASES WOULD BE TO KEEP SWEDISH PAPER QUOTAS ALWAYS LOWER IN FUTURE (I.E. UNTIL TARGET DATE FOR FREE TRADE) THAN THEY MIGHT OTHERWISE HAVE BEEN. BUT, OLJELUND SAID, SWEDES HOPE THAT EC WILL RESTORE 5 PERCENT AT SOME FUTURE DATE.

3. PRESS REPORTED THAT EC MOVE AGAINST SWEDISH PAPER WAS ACCOMPANIED BY WITHHOLDING 5-PERCENT INCREASE IN 1976 QUOTAS FOR TWO OR THREE TYPES OF PAPER SUPPLIED BY NORWAY, FINLAND AND AUSTRIA. IT IS POSSIBLE, OLJELUND BELIEVED, THAT THESE THREE COUNTRIES MIGHT REAP NET ADVANTAGE FROM EC FREEZE ON FULL RANGE OF SWEDISH PAPER QUOTAS. GOS HAS NOT HAD TIME TO CALCULATE ECONOMIC EFFECTS OF EC ACTION. OLJELUND THOUGHT, HOWEVER, THAT THEY WOULD NOT BE SERIOUS; EC CUSTOMS DUTIES ON PAPER ARE NOT HIGH AND MANY FACTORS BESIDES DUTY RATE COULD OPERATE TO DETERMINE HOW MUCH PAPER SWEDEN CAN SELL IN COMMON MARKET AT THIRD-COUNTRY RATES.

5. GOS HAS NOT YET DECIDED HOW TO REACT TO EC MOVE, OLJELUND SAID. MINISTER OF TRADE CARL LIDBOM WILL ANSWER INTERPELLATION IN PARLIAMENT LATER THIS WEEK ON GOS REACTION TO EC MEASURE. HE CLAIMED THAT GOS HAS NO INTEREST IN ESCALATING THIS SKIRMISH WITH EC.

6. SHORTLY AFTER SWEDEN ANNOUNCED SHOE RESTRICTIONS, EC IMPOSED THIRD-COUNTRY TARIFF FOR REMAINDER OF YEAR ON ONE CATEGORY OF SWEDISH PAPER FOR WHICH 1975 QUOTA HAD BEEN FILLED. LIMITED OFFICIAL USE

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STRAUSZ-HUPE

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